

Oral Double Auction

Conducting a paper-and-pencil economic experiment focusing on an oral double auction involves simulating a market in which participants buy and sell goods through a bidding process. Here are the instructions for such an experiment:

Materials needed:

Pencil and paper for each participant.

Envelopes to ensure privacy during the bidding.

Auction sheets or cards to record bids.

A central "marketplace" area.

Introduction:

Explain to participants that they will be participating in a simulated market called an oral double auction.

Explain that the goal is to buy and sell goods through a bidding process.

Randomly form pairs or groups:

Depending on the size of the study, divide participants into sellers and buyers for the auction.

Goods for auction:

Specify the goods or commodities to be auctioned. Make sure participants understand the characteristics and values of these goods.

Initial financial capital:

Provide each participant with an initial financial amount (real or game money) that they can use for the auction.

Explain the bidding method and process:

Participants can bid to buy or sell goods.

This material is an output of the project KEGA 017EU-4/2021 entitled "Implementation of experimental economics as innovative method for development of new skills for economic education".

Bids should include the quantity, type of goods and the price offered.

For example, "I am willing to buy 3 units of item A for 5€ each."

Bid rounds:

Hold several rounds of bidding to allow participants to interact and negotiate with each other.

Encourage participants to consider market conditions, supply, demand and other factors that affect their bids.

Record bids:

Provide participants with auction sheets or cards to record their bids.

Collect written bids from participants in each round.

Bid Comparison:

After each round, collect and review the bids to determine which trades can be matched.

Announce the matched trades and record the transactions.

Money exchange:

Facilitate the exchange of money between participants based on matched trades.

Then update participant balances.

Market Update:

Provide regular updates on market conditions, changes in supply or demand, or other relevant information that may affect supply.

Communicating results:

Conduct a debriefing session after the auction rounds to discuss participant strategies, market dynamics, and results.

Encourage participants to share their experiences and insights.

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Data collection (optional):

If you are conducting research, collect data on bid prices, quantities, and any other relevant variables for analysis.

Ethical aspects:

Remind participants that the auction is a simulation and has no real financial implications.

Stress the importance of fair play, honesty and respect during the auction.

Tailor these guidelines based on the specific objectives of your experiment and the characteristics of the participants.